

**REPORT OF THE AUDIT OF THE
LESLIE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2003**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Kenneth Witt, Leslie County Judge/Executive
Honorable John Morgan, Leslie County Sheriff
Members of the Leslie County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees of the County Sheriff of Leslie County, Kentucky, for the year ended December 31, 2003.

We engaged Ross & Company, PLLC to perform the audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Leslie County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
LESLIE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2003**

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
LESLIE COUNTY SHERIFF

For The Year Ended
December 31, 2003

Ross & Company, PLLC has completed the Leslie County Sheriff's audit for the year ended December 31, 2003. We have issued a disclaimer of opinion on the financial statement taken as a whole.

Debt Obligations:

The records are not available to determine any debt obligations.

Report Comments:

- The Sheriff Should Maintain Documentation In Accordance With KRS 68.210 To Substantiate Receipts And Disbursements And Comply With The Required Retention Period So Those Records Are Available For Audit Personnel

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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ROSS & COMPANY, PLLC
Certified Public Accountants

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The Honorable Kenneth Witt, Leslie County Judge/Executive
The Honorable John Morgan, Leslie County Sheriff
Members of the Leslie County Fiscal Court

Independent Auditor's Report

We were engaged to audit the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Leslie County, Kentucky, for the year ended December 31, 2003. This financial statement is the responsibility of the County Sheriff.

The Leslie County Sheriff did not maintain adequate accounting records to allow us to verify the receipts, disbursements, and excess fees and determine the validity of transactions for the year ending December 31, 2003. We were unable to apply procedures to determine whether the financial statement is presented fairly in conformity with a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Since the Leslie County Sheriff did not maintain adequate accounting records and we were unable to apply other auditing procedures to satisfy ourselves as to the cash receipts, disbursements, and excess fees - regulatory basis, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this financial statement.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2005, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our engagement.

Based on the results of our engagement, we have presented the accompanying comment and recommendation included herein, which discusses the following report comment:

- The Sheriff Should Maintain Documentation In Accordance With KRS 68.210 To Substantiate Receipts And Disbursements And Comply With The Required Retention Period So Those Records Are Available For Audit Personnel

The Honorable Kenneth Witt, Leslie County Judge/Executive
The Honorable John Morgan, Leslie County Sheriff
Members of the Leslie County Fiscal Court

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Leslie County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive, flowing style.

Ross & Company, PLLC

Audit fieldwork completed -
January 31, 2005

LESLIE COUNTY
JOHN MORGAN, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2003

Federal Grants		\$	35,124
State Grants			13,403
State - Kentucky Law Enforcement Foundation Program Fund			11,866
State Fees For Services:			
Finance and Administration Cabinet			8,464
Circuit Court Clerk:			
Fines and Fees Collected			3,584
Fiscal Court			27,303
County Clerk - Delinquent Taxes			2,428
Commission On Taxes Collected			166,886
Fees Collected For Services:			
Auto Inspections	\$	1,690	
Accident and Police Reports		207	
Serving Papers		13,481	
Carrying Concealed Deadly Weapon Permits		2,324	17,702
Other:			
Miscellaneous	\$	7,293	
Other		1,495	8,788
Borrowed Money:			
State Advancement			97,709
Total Revenues		\$	393,257

The accompanying notes are an integral part of this financial statement.

LESLIE COUNTY
 JOHN MORGAN, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2003
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	103,425	
Other Salaries		68,754	
Overtime		11,594	\$ 183,773

Materials and Supplies-

Office Materials and Supplies	\$	6,704	
Police Supplies		2,428	
Uniforms		1,278	10,410

Auto Expense-

Maintenance and Repairs			5,284
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Other Charges-

Training	\$	1,529	
Dues		190	
Postage		1,467	
Communications		354	
Carrying Concealed Deadly Weapon Permits		1,525	
Laboratory Fees		32	
Refunds		80	
Bank Charges		1,655	
Jury Expense		1,303	
Other		526	
Miscellaneous		2,173	10,834

Capital Outlay-

Vehicles			20,991
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Debt Service:

State Advancement			97,709
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Total Allowable Expenditures

\$ 329,001

Net Revenues

\$ 64,256

Less: Statutory Maximum

63,955

Balance Due Fiscal Court at Completion of Audit

\$ 301

The accompanying notes are an integral part of this financial statement.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2003
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems.

This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months of the year and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

COMMENT AND RECOMMENDATION

LESLIE COUNTY
JOHN MORGAN, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2003

STATE LAWS AND REGULATIONS:

The Sheriff Should Maintain Documentation In Accordance With KRS 68.210 To Substantiate Receipts And Disbursements And Comply With The Required Retention Period So Those Records Are Available For Audit Personnel

The Sheriff did not comply with KRS 68.210 "Minimum Requirements Pursuant to KRS 68.210 For All Local Government Officials (And Employees) Handling Public Funds" in that the following was not available for our inspection and testing of transactions:

- A. Daily checkout sheets (a complete set)
- B. Receipts Ledger
- C. Disbursements Ledger
- D. Financial Statement
- E. Financial Statement not published
- F. 4th Quarter Financial Statement
- G. Monthly bank reconciliations
- H. Receipts (for all funds received)
- I. Cancelled checks (for the complete period)

The above inadequate records and documents prevented us from conducting an audit of the books and records.

Sheriff's Response:

None.

INTERNAL CONTROL - MATERIAL WEAKNESS:

A material weakness in internal control is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The finding discussed above is a material weakness in internal control.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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The Honorable Kenneth Witt, Leslie County Judge/Executive
The Honorable John Morgan, Leslie County Sheriff
Members of the Leslie County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Leslie County Sheriff for the year ended December 31, 2003, and have issued our report thereon dated January 31, 2005, wherein we disclaimed an opinion on the financial statement because the Sheriff did not maintain adequate accounting records.

Compliance

We performed tests of Leslie County Sheriff's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not our objective and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Maintain Documentation In Accordance With KRS 68.210 To Substantiate Receipts And Disbursements And Comply With The Required Retention Period So Those Records Are Available For Audit Personnel

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Leslie County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comments and recommendations.

- The Sheriff Should Maintain Documentation In Accordance With KRS 68.210 To Substantiate Receipts And Disbursements And Comply With The Required Retention Period So Those Records Are Available For Audit Personnel

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described on the prior page to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in black ink.

Ross & Company, PLLC

Audit fieldwork completed -
January 31, 2005

